

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Spaulding Township	County Saginaw
Fiscal Year End March 31, 2007	Opinion Date September 14, 2007	Date Audit Report Submitted to State September 26, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

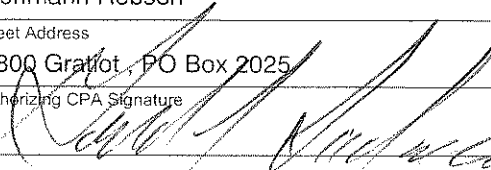
YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☒ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Rehmann Robson		Telephone Number (989)799-9580	
Street Address 5800 Gratiot, PO Box 2025		City Saginaw	State MI
Authorizing CPA Signature 		Printed Name Gerald J. Desloover, CPA	Zip 48605
		License Number 1101007126	



Spaulding Township
Saginaw County, Michigan

Financial Statements

For the Year Ended March 31, 2007

SPAULDING TOWNSHIP

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REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP

An Independent Member of Baker Tilly International

INDEPENDENT AUDITORS' REPORT

September 20, 2007

To the Township Board
Spaulding Township
Saginaw, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of ***Spaulding Township***, as of and for the year ended March 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of ***Spaulding Township***'s management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the remaining fund information of ***Spaulding Township***, as of March 31, 2007, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons of the General Fund, Police Fund, Cass River Dike Fund, and Flint River Dike Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis listed in the table of contents on pages 3-8, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which

consisted principally of inquires of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise ***Spaulding Township's*** basic financial statements. The combining fund financial statements and schedules, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, reading "Lehmann Lohman". The signature is written in a cursive style with a large, prominent 'L' at the beginning.

Management's Discussion and Analysis

As management of *Spaulding Township, Michigan*, we offer readers of the Township's financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended March 31, 2007. We encourage readers to consider the information presented here.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported at *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected special assessments).

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (*government activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The government activities of the Township include general government, public safety, public works and parks and recreation. The business-type activities of the Township include sewer and water operations.

The government-wide financial statements can be found on pages 9-11 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Township maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general, police, Cass River dike, and Flint River dike funds each of which are considered to be major funds. Data from the four other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The Township adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 12-19 of this report.

Proprietary funds. The Township maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Township used enterprise funds to account for its water district 1, water district 2 and sewer operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water district 1, water district 2 and sewer operations, all of which are considered to be major funds of the Township.

The basic proprietary fund financial statements can be found on pages 20-22 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 23 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24-37 of this report.

Other Information. The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the accompanying notes. Combining fund statements and schedules can be found of pages 38-46 of this report.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. As shown on the following chart, the Township's assets exceeded liabilities by \$2,906,752 at the end of the fiscal year.

The net assets are separated into two major components; invested in capital assets (e.g., buildings, equipment and vehicles), which amounted to \$1,471,300 or 46% of net assets and unrestricted net assets of \$1,735,895 or 54% of net assets. Unrestricted net assets may be used to meet the government's ongoing obligations to its programs.

Spaulding Township's Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	2006	2007	2006	2007	2006	2007
Current and other assets	\$ 541,020	\$ 868,941	\$1,113,335	\$ 1,143,603	\$1,654,355	\$ 2,012,544
Capital Assets	549,002	529,561	1,680,852	1,613,229	2,229,854	2,142,790
Total assets	1,090,022	1,398,502	2,794,187	2,756,832	3,884,209	4,155,334
Long-term liabilities	-	170,451	671,490	640,761	671,490	811,212
Other liabilities	35,488	85,625	72,769	51,302	108,257	136,927
Total liabilities	35,488	256,076	744,259	692,063	779,747	948,139
Net Assets						
Invested in capital assets, net of related debt	549,002	529,561	979,763	941,739	1,528,765	1,471,300
Unrestricted	505,532	612,865	1,070,165	1,123,030	1,575,697	1,735,895
Total net assets	\$1,054,534	\$1,142,426	\$2,049,928	\$2,064,769	\$3,104,462	\$3,207,195

Spaulding Township's Changes in Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	2006	2007	2006	2007	2006	2007
Revenues:						
Program revenue:						
Charges for services	\$ 90,991	\$ 105,012	\$ 373,290	\$ 395,183	\$ 464,281	\$ 500,195
Operating grants and contributions	181,572	177,316	-	-	181,572	177,316
Capital grants and contributions	10,050	4,016	-	-	10,050	4,016
General revenues:						
Property taxes	251,734	586,771	75,110	5,362	326,844	592,133
Unrestricted investment earnings	11,592	17,672	13,990	24,218	25,582	41,890
Miscellaneous general revenues	9,797	15,365	6,573	3,051	16,370	18,416
Total revenues	555,736	906,152	468,963	427,814	1,024,699	1,333,966
Expenses:						
Legislative	56,777	64,370	-	-	56,777	64,370
General government	179,124	201,326	-	-	179,124	201,326
Public safety	137,684	144,223	-	-	137,684	144,223
Public works	148,989	378,890	-	-	148,989	378,890
Culture and recreation	21,286	29,451	-	-	21,286	29,451
Interest on debt	978	-	-	-	978	-
Water District 1	-	-	85,868	121,596	85,868	121,596
Water District 2	-	-	153,545	128,755	153,545	128,755
Sewer	-	-	146,363	144,832	146,363	144,832
Total expenses	544,838	818,260	385,776	395,183	930,614	1,213,443

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	2006	2007	2006	2007	2006	2007
Increase in net assets	\$ 10,898	\$87,892	\$ 83,187	\$ 14,841	\$ 94,085	\$102,733
Net assets, beginning of year, restated	1,043,636	1,054,534	1,966,741	2,049,928	3,010,377	3,104,462
Net assets, end of year	\$1,054,534	\$1,142,426	\$2,049,928	\$ 2,064,769	\$3,104,462	\$3,207,195

The Township had an increase in public works expenditures due to the Flint River Dike Project, therefore, decreasing the net assets from the prior year to the current year.

Financial Analysis of the Government's Funds

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Township's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$464,899, all of which is available for spending at the government's discretion.

The general fund is the chief operating fund of the Township. At the end of the current fiscal year, total fund balance of the general fund was \$320,065. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 64% of total general fund expenditures and transfers out.

The fund balance of the Township's general fund decreased \$7,443 in the current year. This decrease is primarily attributed to the increase in spending for general government and public works expenditures.

Proprietary funds. The Township's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

General Fund Budgetary Highlights

There were no differences between the original and final amended budgets for expenditures.

Budget to actual comparisons for the Township's general fund were generally favorable.

Capital Asset and Debt Administration

Capital Assets. The Township's investment in capital assets for its governmental and business-type activities as of March 31, 2007, amounted to \$2,142,790 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment and vehicles.

Spaulding Township's Capital assets (net of depreciation)

	Governmental Activities	Business-type Activities	Total
Land	\$ 53,131	\$ 500	\$ 53,631
Buildings	333,964	15,621	349,585
Equipment	45,658	10,034	55,692
Vehicles	96,808	-	96,808
Mains	-	1,587,074	1,587,074
Total	\$ 529,561	\$ 1,613,229	\$ 2,142,790

Additional information on the Township's capital assets can be found in note III C on pages 32-33 of this report.

Long-term debt. At the end of the current fiscal year, the Township had total bonded debt outstanding of \$858,990. Additional information on the Township's long-term debt can be found in note III E on pages 34-36 of this report.

Request for information

This financial report is designed to provide a general overview of the Township's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Township Treasurer, 5025 East Road, Saginaw, Michigan 48601.

BASIC FINANCIAL STATEMENTS

SPAULDING TOWNSHIP
STATEMENT OF NET ASSETS
MARCH 31, 2007

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
Assets			
Cash and cash equivalents	\$ 433,748	\$ 427,905	\$ 861,653
Investments	4,000	130,000	134,000
Accounts receivable	409,743	580,588	990,331
Internal balances	14,254	(14,254)	-
Prepaid items and other assets	-	18,180	18,180
Restricted cash	7,196	1,184	8,380
Capital assets, net:			
Assets not being depreciated	53,131	500	53,631
Assets being depreciated	476,430	1,612,729	2,089,159
Total assets	1,398,502	2,756,832	4,155,334
Liabilities			
Accounts payable	51,703	15,733	67,436
Accrued liabilities	16,873	4,840	21,713
Noncurrent liabilities:			
Due within one year	17,049	30,729	47,778
Due in more than one year	170,451	640,761	811,212
Total liabilities	256,076	692,063	948,139
Net Assets			
Invested in capital assets, net of related debt	529,561	941,739	1,471,300
Unrestricted	612,865	1,123,030	1,735,895
Total net assets	\$ 1,142,426	\$ 2,064,769	\$ 3,207,195

The accompanying notes are an integral part of these financial statements.

**SPAULDING TOWNSHIP
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2007**

<u>Functions / Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary government				
Governmental activities:				
Legislative	\$ 64,370	\$ -	\$ -	\$ -
General government	201,326	102,610	177,316	-
Public safety	144,223	2,402	-	4,016
Public works	378,890	-	-	-
Recreation and culture	29,451	-	-	-
Total governmental activities	<u>818,260</u>	<u>105,012</u>	<u>177,316</u>	<u>4,016</u>
Business-type activities:				
Water District 1	94,882	121,596	-	-
Water District 2	153,813	128,755	-	-
Sewer	164,278	144,832	-	-
Total business-type activities	<u>412,973</u>	<u>395,183</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 1,231,233</u>	<u>\$ 500,195</u>	<u>\$ 177,316</u>	<u>\$ 4,016</u>
				<u>\$ (549,706)</u>

continued...

SPAULDING TOWNSHIP
STATEMENT OF ACTIVITIES (CONCLUDED)
FOR THE YEAR ENDED MARCH 31, 2007

Functions/Programs	Primary Government		
	Governmental Activities	Business-type Activities	Total
Changes in net assets			
Net (expense) revenue	\$ (531,916)	\$ (17,790)	\$ (549,706)
General revenues:			
Property taxes / Special assessments	586,771	5,362	592,133
Unrestricted investment earnings	17,672	24,218	41,890
Miscellaneous general revenues	15,365	3,051	18,416
Total general revenues	619,808	32,631	652,439
Change in net assets	87,892	14,841	102,733
Net assets, beginning of year	1,054,534	2,049,928	3,104,462
Net assets, end of year	\$ 1,142,426	\$ 2,064,769	\$ 3,207,195

The accompanying notes are an integral part of these financial statements.

**SPAULDING TOWNSHIP
BALANCE SHEET
GOVERNMENTAL FUNDS
MARCH 31, 2007**

	GENERAL	POLICE	CASS RIVER DIKE
<u>ASSETS</u>			
Cash and cash equivalents	\$ 282,803	\$ 9,734	\$ 62,650
Investments	-	-	-
Taxes receivable - delinquent	3,864	3,975	-
Special assessments receivable - current	25,192	-	2,744
Special assessments receivable - long term	-	-	35,023
Accounts receivable - other	5,043	58	253
Due from other funds	14,254	-	-
Due from State	27,911	-	-
Restricted assets - cash	7,196	-	-
	<hr/>	<hr/>	<hr/>
<u>TOTAL ASSETS</u>	<u>\$ 366,263</u>	<u>\$ 13,767</u>	<u>\$ 100,670</u>
<u>LIABILITIES AND FUND EQUITY</u>			
LIABILITIES			
Accounts payable	\$ 28,218	\$ -	\$ 14,667
Accrued liabilities	13,374	2,764	-
Deferred revenue	-	-	35,023
Customer advance deposits	4,606	-	-
	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES	46,198	2,764	49,690
FUND EQUITY			
Fund balances:			
Unreserved - undesignated:			
General fund	320,065	-	
Special revenue funds	-	11,003	50,980
	<hr/>	<hr/>	<hr/>
TOTAL FUND EQUITY	320,065	11,003	50,980
	<hr/>	<hr/>	<hr/>
<u>TOTAL LIABILITIES AND FUND EQUITY</u>	<u>\$ 366,263</u>	<u>\$ 13,767</u>	<u>\$ 100,670</u>

The accompanying notes are an integral part of these financial statements.

FLINT RIVER DIKE	OTHER GOVERNMENTAL FUNDS	TOTAL
\$ 23,782	\$ 54,779	\$ 433,748
-	4,000	4,000
-	3,956	11,795
-	-	27,936
300,443	-	335,466
-	1,281	6,635
-	-	14,254
-	-	27,911
-	-	7,196
\$ 324,225	\$ 64,016	\$ 868,941

\$ -	\$ 4,212	\$ 47,097
-	735	16,873
300,443	-	335,466
-	-	4,606
300,443	4,947	404,042

	-	320,065
23,782	59,069	144,834
23,782	59,069	464,899
\$ 324,225	\$ 64,016	\$ 868,941

SPAULDING TOWNSHIP
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
MARCH 31, 2007

Fund balances - total governmental funds	\$ 464,899
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Amounts reported for *governmental activities* in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources, and therefore not reported in the funds.

Add: Capital assets	872,320
Subtract: Accumulated depreciation	(342,759)

Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Subtract: Notes payable	(187,500)
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Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (such as certain receivables) are offset by deferred revenues in the governmental funds, and thus are not included in fund balance.

Add: Deferred special assessments	<u>335,466</u>
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Net assets of governmental activities	<u><u>\$ 1,142,426</u></u>
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The accompanying notes are an integral part of these financial statements.

SPAULDING TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MARCH 31, 2007

	GENERAL	POLICE	CASS RIVER DIKE
REVENUES			
Taxes	\$ 60,593	\$ 37,905	\$ 18,045
Special assessments	135,883	-	-
Licenses and permits	58,205	-	-
Intergovernmental revenue:			
State grants	178,072	-	-
Local grants	-	-	-
Charges for services	3,316	-	-
Rent	16,155	-	-
Refunds and reimbursements	6,730	-	-
Interest	11,960	258	2,849
Other	15,365	142	-
TOTAL REVENUES	486,279	38,305	20,894
EXPENDITURES			
Legislative	64,870	-	-
General government	198,249	-	-
Recreation and culture	25,162	-	-
Public safety	-	86,711	-
Public works	155,554	-	27,136
TOTAL EXPENDITURES	443,835	86,711	27,136
REVENUES OVER (UNDER) EXPENDITURES	42,444	(48,406)	(6,242)
OTHER FINANCING SOURCES (USES)			
Transfer in	4,228	49,548	2,633
Transfer (out)	(54,115)	(1,022)	(2,189)
Loan proceeds	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(49,887)	48,526	444
NET CHANGE IN FUND BALANCES	(7,443)	120	(5,798)
FUND BALANCE, BEGINNING OF YEAR	327,508	10,883	56,778
FUND BALANCE, END OF YEAR	\$ 320,065	\$ 11,003	\$ 50,980

The accompanying notes are an integral part of these financial statements.

FLINT RIVER DIKE	OTHER GOVERNMENTAL FUNDS	TOTAL
\$ 31,790	\$ 37,726	\$ 186,059
-	-	135,883
-	-	58,205
-	-	178,072
-	4,016	4,016
-	-	3,316
-	-	16,155
-	2,250	8,980
192	2,413	17,672
-	10	15,517
31,982	46,415	623,875
-	-	64,870
-	1,000	199,249
-	-	25,162
-	44,437	131,148
195,700	-	378,390
195,700	45,437	798,819
(163,718)	978	(174,944)
-	1,934	58,343
-	(1,017)	(58,343)
187,500	-	187,500
187,500	917	187,500
23,782	1,895	12,556
-	57,174	452,343
\$ 23,782	\$ 59,069	\$ 464,899

**SPAULDING TOWNSHIP
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2007**

Net change in fund balances - total governmental funds	\$ 12,556
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Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add: capital outlay	6,709
Subtract: depreciation expense	(26,150)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, but rather are deferred to the following fiscal year.

Subtract: change in special assessments	282,277
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Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Subtract: loan proceeds	<u>(187,500)</u>
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Change in net assets of governmental activities	<u><u>\$ 87,892</u></u>
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SPAULDING TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2007

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	OVER (UNDER) BUDGET
REVENUES				
Taxes	\$ 79,000	\$ 79,000	\$ 60,593	\$ (18,407)
Special assessments	128,500	128,500	135,883	7,383
Licenses and permits	49,355	49,355	58,205	8,850
Intergovernmental revenue:				
State grants	180,750	180,750	178,072	(2,678)
Charges for services	3,100	3,100	3,316	216
Fines and forfeits	100	100	-	(100)
Rent	15,000	15,000	16,155	1,155
Refunds and reimbursements	3,000	3,000	6,730	3,730
Interest	8,200	8,200	11,960	3,760
Other	10,000	10,000	15,365	5,365
TOTAL REVENUES	477,005	477,005	486,279	9,274
EXPENDITURES				
Legislative	58,125	58,125	64,870	6,745
General government	195,600	195,600	198,249	2,649
Recreation and culture	22,150	22,150	25,162	3,012
Public works	154,000	154,000	155,554	1,554
TOTAL EXPENDITURES	429,875	429,875	443,835	13,960
REVENUES OVER (UNDER) EXPENDITURES	47,130	47,130	42,444	(4,686)
OTHER FINANCING SOURCES (USES)				
Transfer in	-	-	4,228	(4,228)
Transfer (out)	(41,000)	(41,000)	(54,115)	13,115
TOTAL OTHER FINANCING SOURCES (USES)	(41,000)	(41,000)	(49,887)	8,887
NET CHANGE IN FUND BALANCE	6,130	6,130	(7,443)	(13,573)
FUND BALANCE, BEGINNING OF YEAR	327,508	327,508	327,508	-
FUND BALANCE, END OF YEAR	\$ 333,638	\$ 333,638	\$ 320,065	\$ (13,573)

The accompanying notes are an integral part of these financial statements.

SPAULDING TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
POLICE FUND
FOR THE YEAR ENDED MARCH 31, 2007

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	OVER (UNDER) BUDGET
REVENUES				
Taxes	\$ 36,000	\$ 36,000	\$ 37,905	\$ 1,905
Interest	200	200	258	58
Other	10,100	10,100	142	(9,958)
TOTAL REVENUES	46,300	46,300	38,305	(7,995)
EXPENDITURES				
Salaries and wages	70,000	70,000	60,538	(9,462)
Fees and per diem	1,000	1,000	900	(100)
Fringe benefits	12,400	12,400	10,844	(1,556)
Operating supplies	300	300	-	(300)
Uniforms	700	700	288	(412)
Memberships and dues	100	100	125	25
Contractual services	1,100	1,100	1,708	608
Gas and oil	4,000	4,000	4,793	793
Repairs and maintenance	2,900	2,900	1,389	(1,511)
Education and training	750	750	736	(14)
Medical	5,000	5,000	4,709	(291)
Miscellaneous	400	400	358	(42)
Capital outlay	500	500	323	(177)
TOTAL EXPENDITURES	99,150	99,150	86,711	(12,439)
REVENUES OVER (UNDER) EXPENDITURES	(52,850)	(52,850)	(48,406)	4,444
OTHER FINANCING SOURCES (USES)				
Transfer in	41,000	41,000	49,548	8,548
Transfer out	-	-	(1,022)	(1,022)
TOTAL OTHER FINANCING SOURCES (USES)	41,000	41,000	48,526	7,526
NET CHANGE IN FUND BALANCE	(11,850)	(11,850)	120	11,970
FUND BALANCE, BEGINNING OF YEAR	10,883	10,883	10,883	-
FUND BALANCE, END OF YEAR	\$ (967)	\$ (967)	\$ 11,003	\$ 11,970

The accompanying notes are an integral part of these financial statements.

SPAULDING TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
CASS RIVER DIKE FUND
FOR THE YEAR ENDED MARCH 31, 2007

	CASS RIVER DIKE			
	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	OVER (UNDER) BUDGET
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Special Assessments	19,000	19,000	18,045	(955)
Federal grant	-	-	-	-
Local grant	-	-	-	-
Refunds and reimbursements	-	-	-	-
Interest	1,600	1,600	2,849	1,249
Other revenue	-	-	-	-
TOTAL REVENUES	20,600	20,600	20,894	294
EXPENDITURES				
Salaries and wages	-	-	-	-
Fees and per diem	4,500	4,500	3,895	605
Fringe benefits	-	-	-	-
Operating supplies	50	50	-	50
Uniforms	-	-	-	-
Memberships and dues	-	-	-	-
Contractual services	4,500	4,500	23,150	(18,650)
Central communication	-	-	-	-
Gas and oil	-	-	-	-
Insurance	-	-	-	-
Repair and maintenance	-	-	-	-
Education and training	-	-	-	-
Miscellaneous	-	-	91	(91)
Capital outlay	-	-	-	-
TOTAL EXPENDITURES	9,050	9,050	27,136	(18,086)
REVENUES OVER (UNDER) EXPENDITURES	11,550	11,550	(6,242)	(17,792)
OTHER FINANCING SOURCES				
Transfer in	-	-	2,633	2,633
Transfer out	-	-	(2,189)	(2,189)
Loan Proceeds	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	444	444
NET CHANGE IN FUND BALANCES	11,550	11,550	(5,798)	(17,348)
FUND BALANCE, BEGINNING OF YEAR	56,778	56,778	56,778	-
FUND BALANCE, END OF YEAR	\$ 68,328	\$ 68,328	\$ 50,980	\$ (17,348)

The accompanying notes are an integral part of these financial statements.

SPAULDING TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
FLINT RIVER DIKE FUND
FOR THE YEAR ENDED MARCH 31, 2007

	FLINT RIVER DIKE			
	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	OVER (UNDER) BUDGET
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Special Assessments	-	-	31,790	31,790
Federal grant	-	-	-	-
Local grant	-	-	-	-
Refunds and reimbursements	-	-	-	-
Interest	-	-	192	192
Other revenue	-	-	-	-
TOTAL REVENUES	-	-	31,982	31,982
EXPENDITURES				
Salaries and wages	-	-	-	-
Fees and per diem	-	-	-	-
Fringe benefits	-	-	-	-
Operating supplies	-	-	-	-
Uniforms	-	-	-	-
Memberships and dues	-	-	-	-
Contractual services	-	-	195,700	(195,700)
Central communication	-	-	-	-
Gas and oil	-	-	-	-
Insurance	-	-	-	-
Repair and maintenance	-	-	-	-
Education and training	-	-	-	-
Miscellaneous	-	-	-	-
Capital outlay	-	-	-	-
TOTAL EXPENDITURES	-	-	195,700	(195,700)
REVENUES OVER (UNDER) EXPENDITURES	-	-	(163,718)	(163,718)
OTHER FINANCING SOURCES				
Transfer in	-	-	-	-
Transfer out	-	-	-	-
Loan Proceeds	-	-	187,500	187,500
TOTAL OTHER FINANCING SOURCES (USES)	-	-	187,500	187,500
NET CHANGE IN FUND BALANCES	-	-	23,782	23,782
FUND BALANCE, BEGINNING OF YEAR	-	-	-	-
FUND BALANCE, END OF YEAR	\$ -	\$ -	\$ 23,782	\$ 23,782

The accompanying notes are an integral part of these financial statements.

**SPAULDING TOWNSHIP
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
MARCH 31, 2007**

	ENTERPRISE			
	WATER DISTRICT 1	WATER DISTRICT 2	SEWER	TOTAL
<u>ASSETS</u>				
CURRENT ASSETS				
Cash and cash equivalents	\$ 150,974	\$ 80,180	\$ 196,751	\$ 427,905
Cash at the County	-	1,092	92	1,184
Investments	45,000	85,000	-	130,000
Special assessment receivable - delinquent	973	823	8,053	9,849
Accounts receivable - water billings	23,607	27,352	22,085	73,044
Accounts receivable - other	1,132	1,270	601	3,003
Prepaid items - bond payment	-	18,180	-	18,180
TOTAL CURRENT ASSETS	221,686	213,897	227,582	663,165
LONG-TERM ASSETS				
Special assessments receivable	-	85,061	409,631	494,692
CAPITAL ASSETS				
Land	-	500	-	500
Property, plant and equipment	249,634	1,268,072	1,096,282	2,613,988
Less accumulated depreciation	(191,439)	(633,630)	(176,190)	(1,001,259)
TOTAL CAPITAL ASSETS	58,195	634,942	920,092	1,613,229
<u>TOTAL ASSETS</u>	279,881	933,900	1,557,305	2,771,086
<u>LIABILITIES</u>				
CURRENT LIABILITIES				
Accounts payable	7,424	1,481	6,828	15,733
Accrued liabilities	2,420	2,420	-	4,840
Due to other funds	-	14,254	-	14,254
Current portion of contracts payable	-	17,729	13,000	30,729
TOTAL CURRENT LIABILITIES	9,844	35,884	19,828	65,556
LONG-TERM LIABILITIES				
Contracts payable	-	140,761	500,000	640,761
TOTAL LIABILITIES	9,844	176,645	519,828	706,317
NET ASSETS				
Investment in capital assets, net of related debt	58,195	476,452	407,092	941,739
Unrestricted	211,842	280,803	630,385	1,123,030
<u>TOTAL NET ASSETS</u>	\$ 270,037	\$ 757,255	\$ 1,037,477	\$ 2,064,769

The accompanying notes are an integral part of these financial statements.

**SPAULDING TOWNSHIP
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED MARCH 31, 2007**

	ENTERPRISE			
	WATER DISTRICT 1	WATER DISTRICT 2	SEWER	TOTAL
OPERATING REVENUES				
Service charges	\$ 112,775	\$ 110,472	\$ 111,243	\$ 334,490
Penalties	2,385	1,913	1,853	6,151
Connection fees	2,500	1,100	31,736	35,336
Hydrant rentals	3,886	6,430	-	10,316
Miscellaneous	1,950	9,987	4	11,941
TOTAL OPERATING REVENUES	123,496	129,902	144,836	398,234
OPERATING EXPENSES				
Salaries and wages	37,493	42,486	8,672	88,651
Office supplies	1,642	1,302	164	3,108
Operating supplies	2,001	11,155	65	13,221
Telephone and communication	191	238	48	477
Contractual services	1,947	4,152	4,006	10,105
Audit	1,674	2,093	419	4,186
Purchased water	41,192	38,957	99,560	179,709
Repairs and maintenance	3,893	3,598	364	7,855
Office rental	2,000	2,500	500	5,000
Agent fees	-	113	-	113
Miscellaneous	247	405	63	715
Depreciation	2,602	37,959	27,062	67,623
TOTAL OPERATING EXPENSES	94,882	144,958	140,923	380,763
OPERATING INCOME (LOSS)	28,614	(15,056)	3,913	17,471
NON-OPERATING REVENUES (EXPENSES)				
Special assessments	-	5,362	-	5,362
Interest income	8,202	6,938	9,078	24,218
Interest expense	-	(8,855)	(23,355)	(32,210)
TOTAL NON-OPERATING REVENUES (EXPENSES)	8,202	3,445	(14,277)	(2,630)
CHANGE IN NET ASSETS	36,816	(11,611)	(10,364)	14,841
NET ASSETS, BEGINNING OF YEAR	233,221	768,866	1,047,841	2,049,928
NET ASSETS, END OF YEAR	\$ 270,037	\$ 757,255	\$ 1,037,477	\$ 2,064,769

The accompanying notes are an integral part of these financial statements.

**SPAULDING TOWNSHIP
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED MARCH 31, 2007**

	ENTERPRISE			
	WATER DISTRICT 1	WATER DISTRICT 2	SEWER	TOTAL
Cash flows from operating activities				
Cash received from customers	\$ 124,760	\$ 140,851	\$ 148,418	\$ 414,029
Cash payments to employees	(37,567)	(42,560)	(8,672)	(88,799)
Cash payments to suppliers for goods and services	(49,000)	(65,078)	(130,499)	(244,577)
Net cash provided (used) by operating activities	38,193	33,213	9,247	80,653
Cash flows from capital and related financing activities				
Special assessments	-	5,362	-	5,362
Principal paid on bonds	-	(17,599)	(12,000)	(29,599)
Interest paid on bonds	-	(8,855)	(23,355)	(32,210)
Net cash provided (used) by capital and related financing activities	-	(21,092)	(35,355)	(56,447)
Cash flows from investing activities				
Interest received	8,202	6,938	9,078	24,218
Cash and cash equivalents, beginning of year	104,579	62,213	213,873	380,665
Cash and cash equivalents, end of year	\$ 150,974	\$ 81,272	\$ 196,843	\$ 429,089

Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 28,614	\$ (15,056)	\$ 3,913	\$ 17,471
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	2,602	37,959	27,062	67,623
Changes in assets and liabilities which increase (decrease) cash:				
Receivables	1,264	10,949	3,582	15,795
Inventories	1,232	1,232	-	2,464
Prepaid cost and other assets	-	(103)	-	(103)
Accounts payable	4,555	(1,694)	(25,310)	(22,449)
Accrued and other liabilities	(74)	(74)	-	(148)
Net cash provided (used) by operating activities	\$ 38,193	\$ 33,213	\$ 9,247	\$ 80,653

Non-cash investing, capital and financing transactions
All dividends and interest income were immediately reinvested in the cash management funds.

The accompanying notes are an integral part of these financial statements.

SPAULDING TOWNSHIP
STATEMENT OF FIDUCIARY NET ASSETS
MARCH 31, 2007

<u>ASSETS</u>	<u>TOTAL</u>
Cash and cash equivalents	<u>\$ 5,869</u>
 <u>LIABILITIES</u>	
LIABILITIES	
Accrued liabilities	\$ 5,868
Due to governmental units	<u>1</u>
 <u>TOTAL LIABILITIES</u>	 <u>\$ 5,869</u>

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

SPAULDING TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Spaulding Township (the “Township”), conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant policies:

A. REPORTING ENTITY

The Township has determined that no entities should be consolidated into its financial statements as component units. The criteria for including a component unit includes significant operational or financial relationships with the Township. Therefore, the reporting entity consists only of the primary government.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of the interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements; the agency funds use the accrual basis of accounting, but do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

SPAULDING TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, or within one year for reimbursement – based grants. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, intergovernmental revenues and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *police fund* accounts for the collection of a separate tax millage that is used to fund the operations of the Township police department.

The *Cass River dike fund* accounts for the collection of special assessments that is used to maintain the dike on the Cass River boundary.

The *Flint River dike fund* accounts for the collection of special assessment that is used to construct and maintain the dike on the Flint River boundary.

The government reports the following major proprietary funds:

The *water district 1 fund* accounts for the activities of the government's water distribution and treatment system for district 1.

The *water district 2 fund* accounts for the activities of the government's water distribution and treatment system for district 2.

The *sewer fund* accounts for the activities of the government's sewage disposal system.

SPAULDING TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

Additionally, the Township reports the following fund types:

Agency funds are used to account for assets held for other governments in an agency capacity, including tax collections.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water / sewer district 1 and water district 2 enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of operation and maintenance, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

D. ASSETS, LIABILITIES AND NET ASSETS OR EQUITY

1. DEPOSITS AND INVESTMENTS

All short-term investments that are highly liquid and have an original maturity of three months or less are considered to be cash equivalents.

Investments are stated at fair value.

SPAULDING TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

2. RECEIVABLES AND PAYABLES

All receivables and payables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

3. INVENTORY AND PREPAIDS

Inventory of expendable supplies has not been recorded and any amount of any such inventory is not considered material. The cost value of such inventory was recorded as an expenditure at the time of purchase.

Certain payments made to vendors are for services applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

4. RESTRICTED ASSETS

Restricted assets are assets that have been set aside for future purposes in the General Fund.

5. CAPITAL ASSETS

Capital assets, which include property, plant, equipment and vehicles, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

SPAULDING TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

Major outlays for capital assets and improvements are capitalized as projects when constructed. Capital assets of the Township are depreciated using the straight line method over the following estimated useful lives:

Buildings	30-75 years
Equipment	5-20 years
Vehicles	4-20 years

6. LONG-TERM OBLIGATIONS

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable government activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

7. FUND EQUITY

Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETS AND BUDGETARY ACCOUNTING

Comparisons to budget are presented for the General Fund and Special Revenue Funds. The operating budget is adopted by activity for the General Fund and by activity for the Special Revenue funds. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Any revisions that alter the total expenditures of any fund must be approved by the Township Board. Budgeted amounts are as originally adopted, or as amended by the Township Board.

SPAULDING TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS FOR BUDGETARY FUNDS

The Township had funds with expenditures exceeding budgeted appropriations at the activity level, which is the Township's legal level of budgetary control for the year ended March 31, 2007.

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
GENERAL FUND			
Legislative			
Township Board	\$ 58,125	\$ 64,870	\$ (6,745)
General Government			
Planning and zoning	16,875	36,746	(19,871)
Cemetery	8,050	19,343	(11,293)
Recreation and culture			
Parks	22,150	25,162	(3,012)
Sanitation			
Refuse collection	100,000	108,377	(8,377)

III. DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

A reconciliation of cash and investments as shown in the financial statements to the Township's deposits and investments is as follows:

	<u>Total</u>
Government-wide Financial Statement Captions:	
Primary Government:	
Cash and cash equivalents	\$ 861,653
Investments	134,000
Restricted assets - cash and cash equivalents	8,380
Fiduciary Fund Financial Statement Captions:	
Cash and cash equivalents	<u>5,869</u>
	<u>\$ 1,009,902</u>
Notes to Financial Statements:	
Deposits	\$ 1,009,802
Cash on hand	<u>100</u>
Total	<u><u>\$ 1,009,902</u></u>

SPAULDING TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

Investment and deposit risk:

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the following list of authorized investments. The Township's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk. The Township's investment policy does not have specific limits in excess of state law on investment credit risk. The Township has no investments for which ratings are required.

Custodial credit risk deposits. Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned. State law does not require and the Township does not have a policy for deposit custodial credit risk. As of year end, \$797,547 of the Township's bank balance of \$1,018,614 was exposed to custodial credit risk because it was uninsured and uncollateralized.

The Township is authorized by statute to invest surplus funds in the following:

- ◆ Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- ◆ Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- ◆ Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- ◆ In banker's acceptances of United States banks.
- ◆ Obligations of the State of Michigan and its political subdivisions that, at the time of purchase, are rated as investment grade by at least one standard rating service.
- ◆ Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- ◆ External investment pools as authorized by Public Act 20 as amended through December 31, 1997.

SPAULDING TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

The Township Board is authorized to designate depositories for Township funds, and to determine that the funds are invested in accordance with State of Michigan statutory authority.

The Township's deposits are in accordance with statutory authority.

B. RECEIVABLES

Receivables in the primary government are as follows:

	Governmental Activities	Business-type Activities
Taxes	\$ 11,795	\$ -
Accounts	6,635	76,047
Special assessments		
Due within one year	27,936	9,849
Due after one year	335,466	494,692
Intergovernmental	27,911	-
Total	<u>\$ 409,743</u>	<u>\$ 580,588</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not earned. At the end of the current fiscal year, the various components of deferred revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>
Special assessments receivable (Cass and Flint River Dike Funds)	<u>\$ 335,466</u>

SPAULDING TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

C. CAPITAL ASSETS

Capital assets activity for the year ended March 31, 2007, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 53,131	\$ -	\$ -	\$ 53,131
Capital assets being depreciated:				
Buildings	444,575	-	-	444,575
Equipment	86,430	6,709	-	93,139
Vehicles	<u>281,475</u>	<u>-</u>	<u>-</u>	<u>281,475</u>
Total capital assets being depreciated	<u>812,480</u>	<u>6,709</u>	<u>-</u>	<u>819,189</u>
Less accumulated depreciation				
Buildings	(103,649)	(6,962)	-	(110,611)
Equipment	(39,645)	(7,836)	-	(47,481)
Vehicles	<u>(173,315)</u>	<u>(11,352)</u>	<u>-</u>	<u>(184,667)</u>
Total accumulated depreciation	<u>(316,609)</u>	<u>(26,150)</u>	<u>-</u>	<u>(342,759)</u>
Total capital assets being depreciated, net	<u>495,871</u>	<u>(19,441)</u>	<u>-</u>	<u>476,430</u>
Governmental activities capital assets, net	<u>\$ 549,002</u>	<u>\$ (19,441)</u>	<u>\$ -</u>	<u>\$ 529,561</u>

SPAULDING TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

Business-type activities

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Capital assets not being not being depreciated:				
Land	\$ 500	\$ -	\$ -	\$ 500
Capital assets being depreciated:				
Buildings	18,375	\$ -	\$ -	18,375
Mains	2,554,248	-	-	2,554,248
Equipment	41,365	-	-	41,365
Total capital assets being depreciated	<u>2,613,988</u>	<u>-</u>	<u>-</u>	<u>2,613,988</u>
Less accumulated depreciation				
Buildings	(2,295)	(459)	-	(2,754)
Mains	(901,359)	(65,815)	-	(967,174)
Equipment	(29,982)	(1,349)	-	(31,331)
Total accumulated depreciation	<u>(933,636)</u>	<u>(67,623)</u>	<u>-</u>	<u>(1,001,259)</u>
Total capital assets being depreciated, net	<u>1,680,352</u>	<u>(67,623)</u>	<u>-</u>	<u>1,612,729</u>

Business-type activities

capital assets, net	<u>\$ 1,680,852</u>	<u>\$ (67,623)</u>	<u>\$ -</u>	<u>\$ 1,613,229</u>
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Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General government	\$ 9,786
Public safety	12,075
Recreation and culture	<u>4,289</u>

Total depreciation expense – governmental activities \$ 26,150

Business-type activities:

Water District 1	\$ 2,602
Water District 2	37,959
Sewer	<u>27,062</u>

Total depreciation expense – business-type activities \$ 67,623

SPAULDING TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

D. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Due To	Due From
	<u>Water District 2</u>
General Fund	<u>\$ 14,254</u>

The balance is a result of a time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Transfers to					
Transfers from	General	Police	Cass River Dike	Nonmajor Governmental Funds	Total
General Fund	\$ -	\$ 49,548	\$ 2,633	\$ 1,934	\$ 54,115
Nonmajor Governmental Funds	1,017	-	-	-	1,017
Cass River Dike	2,189	-	-	-	2,189
Police	<u>1,022</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,022</u>
Total	<u>\$ 4,228</u>	<u>\$ 49,548</u>	<u>\$ 2,633</u>	<u>\$ 1,934</u>	<u>\$ 58,343</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them.

E. LONG-TERM DEBT

Changes in long-term debt

Long term activity for the year ended March 31, 2007, was as follows:

	Balance April 1, 2006	Additions	(Reductions)	Balance March 31, 2007	Due Within One Year
GOVERNMENTAL ACTIVITIES					
Installment Contracts					
Flint River Dike Project					
maturing through May 15,					
2016, bearing interest of 4.0%	<u>\$ -</u>	<u>\$ 187,500</u>	<u>\$ -</u>	<u>\$ 187,500</u>	<u>\$ 17,049</u>

SPAULDING TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

Year Ending March 31	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2008	\$ 17,049	6,623
2009	15,644	8,028
2010	16,381	7,291
2011	17,152	6,520
2012	17,960	5,712
2013-2017	<u>103,314</u>	<u>15,046</u>
Total	<u>\$ 187,500</u>	<u>\$ 49,220</u>

	<u>Balance April 1, 2006</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Balance March 31, 2007</u>	<u>Due Within One Year</u>
BUSINESS-TYPE ACTIVITIES					
Contracts payable					
Water District 2 extension, maturing through April 1, 2013, with interest of 2.4% to 2.9%.	\$ 120,000	\$ -	\$ (15,000)	\$ 105,000	\$ 15,000
Sewer extension, maturing through June 1, 2030 with interest at 4.5%	525,000	-	(12,000)	513,000	13,000
Water District 2 Curtis Road Extension, maturing through May 15, 2020, with interest at 5.0%	<u>56,089</u>	<u>-</u>	<u>(2,599)</u>	<u>53,490</u>	<u>2,729</u>
Business-type activities					
Long-term liabilities	<u>\$ 701,089</u>	<u>\$ -</u>	<u>\$ (29,599)</u>	<u>\$ 671,490</u>	<u>\$ 30,729</u>

Contracts payable currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Business-type activities	2.4 – 5.0%	<u>\$ 671,490</u>

Annual debt service requirements to maturity for contracts payable are as follows:

SPAULDING TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

Year Ending March 31	Business-type Activities	
	Principal	Interest
2008	\$ 30,729	30,830
2009	30,866	29,306
2010	31,009	27,760
2011	32,160	26,177
2012	33,317	24,538
2013-2017	133,248	100,483
2018-2022	124,161	72,316
2023-2027	130,000	43,425
2028-2031	<u>126,000</u>	<u>11,565</u>
Total	<u>\$ 671,490</u>	<u>\$ 366,400</u>

IV. OTHER INFORMATION

A. DEFINED CONTRIBUTION BENEFIT PLAN

The Spaulding Township Group Pension Plan is a defined contribution pension plan established by the Township Board and administered by Manulife Financial, a third party, to provide benefits at retirement to eligible employees. The following persons are eligible to participate in the plan: Township Board Members, Water Supervisor, Township Secretary, Water Assistant Supervisor, Police Officers, Fire Chief and Hall Custodian. At March 31, 2007, all 14 eligible persons were plan members.

Employees are required to contribute 5% of gross wages but have the option of contributing up to 100%. The Township is required to contribute 10% of the employee's base salary.

Contributions made by an employee vest immediately and contributions made by the Township vest after 2 years of full-time employment. An employee who leaves the employment of the Township is entitled to his or her contributions and the Township's contributions if vesting requirements are satisfied, plus interest earned.

Plan provisions and contribution requirements are established and may be amended by the Township Board.

During the year, the Township's required and actual contributions amounted to \$18,743. Employees made contributions amounting to \$12,696 to the Plan.

SPAULDING TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

B. PROPERTY TAXES

Township property taxes are attached as an enforceable lien on property as of December 1. Taxes are levied December 1 and are due without penalty on or before February 14. These tax bills include the Township's own property taxes and taxes billed on behalf of Saginaw County and the school districts within the Township boundaries.

Real property taxes not collected as of March 1 are turned over to Saginaw County for collection, which advances the Township 100% for the delinquent taxes. Collection of delinquent personal property taxes remains the responsibility of the Township Treasurer.

C. COMMITMENTS AND CONTINGENCIES

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended March 1, 2007, the Township carried commercial insurance to cover all risks of losses. The Township has had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years.

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SUPPLEMENTARY INFORMATION

**SPAULDING TOWNSHIP
GENERAL FUND
SCHEDULE OF REVENUES
BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2007**

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	OVER (UNDER) BUDGET
TAXES				
General property taxes	\$ 35,000	\$ 35,000	\$ 36,844	\$ 1,844
Special assessments	128,500	128,500	135,883	7,383
Payment in lieu of taxes	27,000	27,000	6,301	(20,699)
Property tax administration fee	17,000	17,000	17,448	448
TOTAL TAXES	207,500	207,500	196,476	(11,024)
LICENSES AND PERMITS				
Building permits	4,000	4,000	11,193	7,193
Cable TV franchise	45,000	45,000	46,603	1,603
Miscellaneous licenses and permits	355	355	409	54
TOTAL LICENSES AND PERMITS	49,355	49,355	58,205	8,850
STATE GRANTS				
Sales tax	180,000	180,000	177,316	(2,684)
Liquor license	750	750	756	6
TOTAL STATE GRANTS	180,750	180,750	178,072	(2,678)
INTEREST ON INVESTMENTS	8,200	8,200	11,960	3,760
OTHER REVENUE				
Charges for services	3,100	3,100	3,316	216
Fines and forfeits	100	100	-	(100)
Rent	15,000	15,000	16,155	1,155
Refunds and reimbursements	3,000	3,000	6,730	3,730
Other	10,000	10,000	15,365	5,365
TOTAL OTHER REVENUE	31,200	31,200	41,566	10,366
TOTAL REVENUES	\$ 477,005	\$ 477,005	\$ 486,279	\$ 9,274

**SPAULDING TOWNSHIP
GENERAL FUND
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2007**

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	OVER (UNDER) BUDGET
LEGISLATIVE				
Township Board:				
Fees and per diem	\$ 5,000	\$ 5,000	\$ 4,550	\$ (450)
Fringe benefits	9,375	9,375	7,074	(2,301)
Supplies	2,600	2,600	2,568	(32)
Memberships and dues	6,000	6,000	7,000	1,000
Insurance	28,300	28,300	31,098	2,798
Legal expense	500	500	6,892	6,392
Audit	5,000	5,000	5,115	115
Printing and publishing	200	200	42	(158)
Miscellaneous	1,150	1,150	531	(619)
TOTAL LEGISLATIVE	58,125	58,125	64,870	6,745
GENERAL GOVERNMENT				
Supervisor:				
Salaries and wages	12,600	12,600	12,600	-
Fringe benefits	2,260	2,260	2,224	(36)
Total Supervisor	14,860	14,860	14,824	(36)
Elections:				
Fees and per diem	3,000	3,000	3,533	533
Operating supplies	375	375	608	233
Contractual services	500	500	150	(350)
Capital outlay	3,000	3,000	170	(2,830)
Total Elections	6,875	6,875	4,461	(2,414)
Tax Administration:				
Operating supplies	500	500	74	(426)
Postage	1,500	1,500	1,515	15
Contractual services	38,800	38,800	18,673	(20,127)
Printing and publishing	700	700	865	165
Miscellaneous	3,700	3,700	4,581	881
Total Tax Administration	45,200	45,200	25,708	(19,492)

(Continued)

**SPAULDING TOWNSHIP
GENERAL FUND
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2007**

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	OVER (UNDER) BUDGET
GENERAL GOVERNMENT (CONTINUED)				
Clerk:				
Salaries and wages	\$ 6,700	\$ 6,700	\$ 6,700	\$ -
Fringe benefits	1,220	1,220	1,182	(38)
Total Clerk	7,920	7,920	7,882	(38)
Board of Review:				
Fees and per diem	3,000	3,000	2,460	(540)
Printing and publishing	100	100	-	(100)
Total Board of Review	3,100	3,100	2,460	(640)
Treasurer:				
Salaries and wages	12,600	12,600	12,600	-
Fringe benefits	2,260	2,260	2,224	(36)
Total Treasurer	14,860	14,860	14,824	(36)
Township Office:				
Salaries and wages	19,500	19,500	17,499	(2,001)
Fringe benefits	3,300	3,300	2,970	(330)
Operating supplies	1,000	1,000	885	(115)
Postage	500	500	731	231
Contractual services	2,300	2,300	2,452	152
Repairs and maintenance	900	900	217	(683)
Miscellaneous	100	100	216	116
Capital outlay	1,000	1,000	1,329	329
Total Township Office	28,600	28,600	26,299	(2,301)

(Continued)

**SPAULDING TOWNSHIP
GENERAL FUND
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2007**

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	OVER (UNDER) BUDGET
GENERAL GOVERNMENT (CONTINUED)				
Building and Grounds:				
Salaries and wages	\$ 15,100	\$ 15,100	\$ 14,885	\$ (215)
Fees and per diem	900	900	900	-
Fringe benefits	2,735	2,735	2,625	(110)
Operating supplies	1,425	1,425	1,498	73
Contractual services	2,500	2,500	1,407	(1,093)
Telephone	4,400	4,400	4,236	(164)
Public utilities	16,000	16,000	15,035	(965)
Repairs and maintenance	5,000	5,000	4,136	(864)
Miscellaneous	100	100	114	14
Capital outlay	1,100	1,100	866	(234)
Total Building and Grounds	49,260	49,260	45,702	(3,558)
Planning and Zoning:				
Salaries and wages	3,500	3,500	10,829	7,329
Fees and per diem	7,000	7,000	6,499	(501)
Supplies	175	175	118	(57)
Contractual	1,500	1,500	9,345	7,845
Printing and publishing	600	600	102	(498)
Legal expense	2,000	2,000	7,186	5,186
Miscellaneous	2,100	2,100	2,667	567
Total Planning and Zoning	16,875	16,875	36,746	19,871
Cemetery:				
Salaries and wages	6,500	6,500	6,321	(179)
Fringe benefits	750	750	716	(34)
Supplies	100	100	59	(41)
Contractual services	400	400	200	(200)
Repair and maintenance	100	100	69	(31)
Miscellaneous	200	200	5,269	5,069
Capital outlay	-	-	6,709	6,709
Total Cemetery	8,050	8,050	19,343	11,293
TOTAL GENERAL GOVERNMENT	195,600	195,600	198,249	2,649

(Continued)

**SPAULDING TOWNSHIP
GENERAL FUND
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2007**

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	OVER (UNDER) BUDGET
RECREATION AND CULTURE				
Parks:				
Salaries and wages	\$ 10,000	\$ 10,000	\$ 9,178	\$ (822)
Fringe benefits	750	750	698	(52)
Supplies	2,000	2,000	1,938	(62)
Contracted services	600	600	3,588	2,988
Repairs and maintenance	1,800	1,800	890	(910)
Capital outlay	6,000	6,000	7,015	1,015
Miscellaneous	1,000	1,000	1,855	855
TOTAL RECREATION AND CULTURE	22,150	22,150	25,162	3,012
PUBLIC WORKS				
Highway and streets:				
Roads	25,000	25,000	18,833	(6,167)
Drains at large	15,000	15,000	13,462	(1,538)
Street lighting	14,000	14,000	14,882	882
Total Highway and streets	54,000	54,000	47,177	(6,823)
SANITATION				
Refuse collection	100,000	100,000	108,377	8,377
TOTAL PUBLIC WORKS	154,000	154,000	155,554	1,554
TOTAL EXPENDITURES	\$ 429,875	\$ 429,875	\$ 443,835	\$ 13,960

**SPAULDING TOWNSHIP
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
MARCH 31, 2007**

		SPECIAL REVENUE FUNDS		
		FIRE FUND	HISTORICAL SOCIETY	TOTAL
<u>ASSETS</u>				
Cash and cash equivalents	\$	48,818	\$ 5,961	\$ 54,779
Investments		-	4,000	4,000
Taxes receivable - delinquent		3,956	-	3,956
Special assessment receivable - current		-	-	-
Special assessment receivable - long term		-	-	-
Accounts receivable		213	1,068	1,281
<u>TOTAL ASSETS</u>	\$	52,987	\$ 11,029	\$ 64,016
<u>LIABILITIES AND FUND EQUITY</u>				
LIABILITIES				
Accounts payable	\$	4,212	\$ -	\$ 4,212
Accrued liabilities		735	-	735
Deferred revenue		-	-	-
<u>TOTAL LIABILITIES</u>		4,947	-	4,947
FUND EQUITY				
Fund balances:				
Unreserved:				
Undesignated		48,040	11,029	59,069
<u>TOTAL FUND EQUITY</u>		48,040	11,029	59,069
<u>TOTAL LIABILITIES AND FUND EQUITY</u>	\$	52,987	\$ 11,029	\$ 64,016

SPAULDING TOWNSHIP
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MARCH 31, 2007

	FIRE				HISTORICAL SOCIETY			
	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	OVER (UNDER) BUDGET	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	OVER (UNDER) BUDGET
REVENUES								
Taxes	\$ 36,000	\$ 36,000	\$ 37,726	\$ 1,726	\$ -	\$ -	\$ -	\$ -
Federal grant	5,000	5,000	-	(5,000)	-	-	-	-
Local grant	5,000	5,000	4,016	(984)	-	-	-	-
Refunds and reimbursements	3,500	3,500	2,250	(1,250)	-	-	-	-
Interest	1,200	1,200	1,878	678	300	300	535	235
Other revenue	25	25	10	(15)	-	-	-	-
TOTAL REVENUES	50,725	50,725	45,880	(4,845)	300	300	535	235
EXPENDITURES								
Salaries and wages	4,000	4,000	3,894	(106)	-	-	-	-
Fees and per diem	3,000	3,000	2,700	(300)	-	-	-	-
Fringe benefits	1,200	1,200	1,164	(36)	-	-	-	-
Operating supplies	5,200	5,200	4,959	(241)	-	-	-	-
Uniforms	4,000	4,000	4,010	10	-	-	-	-
Memberships and dues	200	200	170	(30)	-	-	-	-
Central communication	2,000	2,000	1,731	(269)	-	-	-	-
Gas and oil	1,000	1,000	629	(371)	-	-	-	-
Insurnace	600	600	408	(192)	-	-	-	-
Repair and maintenance	5,700	5,700	3,565	(2,135)	-	-	-	-
Education and training	3,000	3,000	2,990	(10)	-	-	-	-
Miscellaneous	2,750	2,750	5,512	2,762	-	-	1,000	(1,000)
Capital outlay	15,830	15,830	12,705	(3,125)	-	-	-	-
TOTAL EXPENDITURES	48,480	48,480	44,437	(4,043)	-	-	1,000	(1,000)
REVENUES OVER (UNDER) EXPENDITURES	2,245	2,245	1,443	(802)	300	300	(465)	(765)
OTHER FINANCING SOURCES								
Transfer in	-	-	1,934	1,934	-	-	-	-
Transfer out	750	750	(1,017)	(1,767)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	750	750	917	167	-	-	-	-
NET CHANGE IN FUND BALANCES	2,995	2,995	2,360	(635)	300	300	(465)	(765)
FUND BALANCE, BEGINNING OF YEAR	45,680	45,680	45,680	-	11,494	11,494	11,494	-
FUND BALANCE, END OF YEAR	\$ 48,675	\$ 48,675	\$ 48,040	\$ (635)	\$ 11,794	\$ 11,794	\$ 11,029	\$ (765)

SPAULDING TOWNSHIP
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2007

	TOTAL			
	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	OVER (UNDER) BUDGET
REVENUES				
Taxes	\$ 36,000	\$ 36,000	\$ 37,726	\$ 1,726
Federal grant	5,000	5,000	-	(5,000)
Local grant	5,000	5,000	4,016	(984)
Refunds and reimbursements	3,500	3,500	2,250	(1,250)
Interest	1,500	1,500	2,413	913
Other revenue	25	25	10	(15)
TOTAL REVENUES	51,025	51,025	46,415	(4,610)
EXPENDITURES				
Salaries and wages	4,000	4,000	3,894	(106)
Fees and per diem	3,000	3,000	2,700	(300)
Fringe benefits	1,200	1,200	1,164	(36)
Operating supplies	5,200	5,200	4,959	(241)
Uniforms	4,000	4,000	4,010	10
Memberships and dues	200	200	170	(30)
Central communication	2,000	2,000	1,731	(269)
Gas and oil	1,000	1,000	629	(371)
Insurance	600	600	408	(192)
Repair and maintenance	5,700	5,700	3,565	(2,135)
Education and training	3,000	3,000	2,990	(10)
Miscellaneous	2,750	2,750	6,512	3,762
Capital outlay	15,830	15,830	12,705	(3,125)
TOTAL EXPENDITURES	48,480	48,480	45,437	(3,043)
REVENUES OVER (UNDER) EXPENDITURES	2,545	2,545	978	(1,567)
OTHER FINANCING SOURCES				
Transfer in	-	-	1,934	1,934
Transfer out	750	750	(1,017)	(1,767)
TOTAL OTHER FINANCING SOURCES (USES)	750	750	917	167
NET CHANGE IN FUND BALANCES	3,295	3,295	1,895	(1,400)
FUND BALANCE, BEGINNING OF YEAR	57,174	57,174	57,174	-
FUND BALANCE, END OF YEAR	\$ 60,469	\$ 60,469	\$ 59,069	\$ (1,400)

**SPAULDING TOWNSHIP
FIDUCIARY FUNDS
COMBINING BALANCE SHEET
MARCH 31, 2007**

	AGENCY FUNDS			
	TAX COLLECTION FUND	PAYROLL IMPREST	VOLUNTEER FIRE DEPARTMENT	TOTAL
<u>ASSETS</u>				
Cash and cash equivalents	\$ 1	\$ 3,905	\$ 1,963	\$ 5,869
<u>LIABILITIES</u>				
LIABILITIES				
Accrued liabilities	\$ -	\$ 3,905	\$ 1,963	\$ 5,868
Due to governmental units	1	-	-	1
<u>TOTAL LIABILITIES</u>	\$ 1	\$ 3,905	\$ 1,963	\$ 5,869

INTERNAL CONTROL AND COMPLIANCE



REHMANN ROBSON

Certified Public Accountants

A member of **THE REHMANN GROUP**

An Independent Member of Baker Tilly International

**INDEPENDENT AUDITORS' REPORT ON
INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

September 20, 2007

Members of the Township Board
Spaulding Township

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of *Spaulding Township, Michigan*, as of and for the year ended March 31, 2007, which collectively comprise the *Spaulding Township's* basic financial statements, and have issued our report thereon dated September 20, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered *Spaulding Township, Michigan's* internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the *Spaulding Township, Michigan's* internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the *Spaulding Township, Michigan's* internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect

misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the *Spaulding Township, Michigan's* ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the *Spaulding Township, Michigan's* financial statements that is more than inconsequential will not be prevented or detected by the *Spaulding Township, Michigan's* internal control. We consider the deficiencies described below to be significant deficiencies in internal control over financial reporting.

2007-1

Recording, Processing and Summarizing Accounting Data

- Criteria:** All governments are required to have in place internal controls over recording, processing, and summarizing accounting data (i.e., maintaining internal books and records).
- Condition:** As is the case with many smaller and medium-sized entities, the government has historically relied on its independent external auditors to assist in the recording, processing and summarizing of certain accounting data as part of its external financial reporting process. Accordingly, the government has placed reliance on its *external* auditors, who cannot by definition be considered a part of the government's *internal* controls.
- Cause:** This condition was caused by the government's decision that it is more cost effective to have the external auditors recommend the necessary adjusting journal entries to its general ledger than to incur the time and expense of obtaining the necessary training and expertise required for the government to perform this task internally.
- Effect:** As a result of this condition, the government lacks internal controls over the recording, processing, and summarizing of accounting data, and instead relies, in part, on its external auditors for assistance with this task.
- View of Responsible Officials:** The government has evaluated the cost vs. benefit of establishing internal controls over the recording, processing, and summarizing of accounting data, and determined that it is in the best interests of the government to rely on its external auditors to recommend the necessary adjustments.

2007-2

Lack of Adequate Controls to Produce Full-Disclosure GAAP Basis Financial Statements

Criteria: All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is a responsibility of the government's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting.)

Condition: As is the case with many smaller and medium-sized entities, the government has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the government's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its external auditors, who cannot by definition be considered a part of the government's internal controls.

Cause: This condition was caused by the government's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the government to perform this task internally.

Effect: As a result of this condition, the government lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

View of Responsible Officials: The government has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the government to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the *Spaulding Township, Michigan's* internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiencies described above are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether *Spaulding Township, Michigan's* financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of *Spaulding Township, Michigan*, in a separate letter dated September 14, 2007.

Spaulding Township, Michigan's responses to the findings identified in our audit are described above. We did not audit *Spaulding Township, Michigan's* responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Audit Committee, the governing board, management, others within the organization, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Lehmann Johnson". The signature is written in a cursive, flowing style with a large initial 'L'.



REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP

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September 14, 2007

Members of the Township Board
Spaulding Township

We have audited the financial statements of the governmental activities, the business-type activities,, each major fund, and the aggregate remaining fund information of ***Township of Spaulding*** for the year ended March 31, 2007, and have issued our report thereon dated September 14, 2007. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under Auditing Standards Generally Accepted in the United States of America and *Government Auditing Standards*

As stated in our engagement letter dated March 28, 2007, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of ***Township of Spaulding***. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of ***Township of Spaulding's*** compliance with certain provisions of laws, regulations, contracts and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by ***Township of Spaulding*** are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the

year. We noted no transactions entered into by ***Township of Spaulding*** during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future. We evaluated the key factors and assumptions used to develop the useful lives of those assets in determining that they are reasonable in relation to the financial statements taken as a whole.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the ***Township of Spaulding's*** financial reporting process (that is, cause future financial statements to be materially misstated). The following audit adjustments, in our judgment, indicate matters that could have a significant effect on the ***Township of Spaulding's*** financial reporting process. Audit adjustments for the Township included adjustments to cash, accounts receivable, capital assets, accounts payable, and accrued payroll. These audit adjustments were recorded by the Township.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Members of the Township Board
Spaulding Township
September 14, 2007
Page 3

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the Entity’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the ***Township of Spaulding’s*** auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

This information is intended solely for the use of the Audit Committee, the governing body, and management of the ***Township of Spaulding*** and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink, appearing to read "Lehmann Johnson", written in a cursive style.